OCT 29 2010

No. 10-300

IN THE

Supreme Court of the United States

TIFFANY (NJ) INC. AND
TIFFANY AND COMPANY,
Petitioners,

v.

EBAY INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Second Circuit

SUPPLEMENTAL BRIEF FOR RESPONDENT

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PRELIMINARY STATEMENT

This supplemental brief responds to arguments raised by *amici curiae* the International Anti-Counterfeiting Coalition ("IACC"), the International Trademark Association ("INTA"), and Coty Inc. ("Coty") in support of Petitioners. The *amicus* briefs, which were filed contemporaneously with eBay's opposition, repeat many of the arguments made by Petitioners (referred to herein as "Tiffany") but also contain a number of misrepresentations of law and fact that warrant further comment. *See* SUP. CT. R. 15.8.

Amici express concerns over counterfeiting that eBay not only fully shares but continually addresses through a wide variety of anti-counterfeiting measures, as described by the Second Circuit. *See* Opp. 5-8; Pet. App. 7a-13a. These concerns offer no basis for a grant of certiorari: *amici* identify no conflict among the courts of appeals, much less a concrete proposal for combating counterfeiting that is either required by law or capable of implementation, in practice, by an entity like eBay.[1]

That all of the *amici*, explicitly or implicitly, disagree with the Second Circuit's detailed application of *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 (1982), to eBay's online marketplace affords no basis for this Court's review. None of them demonstrates any error in the Second Circuit's

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[1] *Amici*'s perspectives are necessarily shaped by the interests they bring to this litigation. For example, the exclusive mission of IACC is "combating counterfeiting on behalf of trademark owners." IACC Br. 1. And Coty's brief, which focuses largely on counterfeiting abroad, recounts its own litigation history with eBay Germany. Coty Br. 9-13.

interpretation of *Inwood* or in its application of *Inwood* to the undisputed fact record. *See* Opp. 13-16.

Nor do *amici* provide any other persuasive legal or policy basis for using this case – the *first* to apply *Inwood* to an online marketplace – as a vehicle to dramatically transform trademark law. *Amici* advocate a vague "generalized knowledge" rule that they claim is better suited to the Internet than the Second Circuit's straightforward understanding of *Inwood* as requiring actual or constructive knowledge of specific infringing conduct. But a different Internet standard for contributory trademark infringement was never argued by Tiffany below and therefore has been waived. *See, e.g.*, *Sprietsma v. Mercury Marine*, 537 U.S. 51, 56 n.4 (2002).[2] To the extent *amici* argue that the Second Circuit *misapplied Inwood* to the undisputed facts, *see, e.g.*, Coty Br. 22, that issue does not afford grounds for review. SUP. CT. R. 10.

INTA's call for a clear, uniform, nationwide rule for contributory trademark infringement on the Internet overlooks that there has been no lack of uniformity to date. The long-settled *Inwood* standard is clear, uniform, and nationwide, and neither court below had any trouble applying it to the record presented. To the extent *Inwood*'s application to the Internet remains unclear at the margins, the proper means for clarification is to allow other courts of appeals the opportunity to further develop its contours in other fact settings. This case, with its

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[2] Statements by *amici* cannot alter the record in the case. *See, e.g.*, *Sony Corp. of Am. v. Univ. City Studios, Inc.*, 464 U.S. 417, 434 n.16 (1984).

undisputed record of vigorous anti-counterfeiting action by eBay that far exceeded Tiffany's own level of commitment, presents no such line-drawing issues. *Amici's* misportrayals of the record in this regard are no substitute for the extensive findings by both courts below. The record is uncontested as to eBay's diligence, attentiveness, and commitment of significant resources toward combating counterfeiting – including its expenditure of millions of dollars annually on proactive measures well beyond those required by law. *See, e.g.*, Opp. 5-8; Pet. App. 7a-13a.

The Court should deny the petition.

ARGUMENT

1. The *amicus* filings confirm the lack of a circuit conflict over whether *Inwood* requires knowledge of specific infringing conduct, as the Second Circuit concluded, or only some more generalized knowledge of unspecified illegal activity. IACC fails to cite *any* court of appeals ruling claimed to conflict directly with the Second Circuit's decision here, and it does not even mention *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996). For their part, INTA and Coty reiterate Tiffany's claim that the Second Circuit's ruling created a conflict with *Fonovisa*, yet both appear to acknowledge that, as the Second Circuit noted, *Fonovisa* is a willful blindness case holding that one with knowledge of widespread infringing conduct within its purview cannot "turn[] a blind eye to [such] evidence of substantial illegal activity." Coty Br. 23; INTA Br. 12 (recognizing that Ninth Circuit's holding as to potential contributory liability was predicated on "the operator's 'willful

blindness' to the pervasive acts of infringement by third parties," thereby satisfying the "reason to know" standard of *Inwood*).

INTA asserts incorrectly that *Fonovisa* involved "the same 'generalized' knowledge of illegal activity that the Second Circuit squarely found insufficient in *eBay*." INTA Br. 2. As fully addressed in eBay's opposition, the pleaded facts in *Fonovisa* made out a *prima facie* case of willful blindness, in which defendants operating a physical sales venue were alleged to have done absolutely nothing to crack down on a discrete group of offending vendors, who easily could be observed and whose merchandise easily could be inspected, despite repeated notifications by law enforcement authorities. *See* Opp. 13-14. The Ninth Circuit had no occasion to address the issue that supposedly gives rise to a circuit split here – the distinction between general and specific knowledge of infringement – let alone to consider whether general knowledge alone is a sufficient basis for contributory trademark infringement. It sufficed for purposes of reviewing the sufficiency of the complaint that contributory liability could be imposed if it ultimately were proven that the defendant had been willfully blind to, and had blatantly disregarded, specified infringing activity within its physical control. *See id.* at 13-16.

The Second Circuit understood that *Fonovisa*'s holding rested on willful blindness and determined, as had the district court, that Tiffany failed to establish any conduct by eBay that was remotely analogous. *See* Pet. App. 32a-34a. Accordingly, the Second Circuit noted no tension whatsoever between

its holding and the Ninth Circuit's interpretation of *Inwood*. *See* Opp. 13-16.

IACC argues that the Second Circuit's ruling here is "out of step with" another willful blindness case, *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir. 1992). IACC Br. 19. IACC contends that in *Hard Rock* the Seventh Circuit "did not require the operator to know which specific items sold at the flea market were infringing before imposing an obligation to act," *id.*, and held that contributory trademark liability could arise from "generalized knowledge of wrongdoing and a failure to investigate." *Id.* at 20. This misrepresents *Hard Rock*, which is in fact perfectly consistent with the Second Circuit's rejection of a generalized knowledge standard. *See* Pet. App. 32a-33a; *see also* Opp. 13-16.

In remanding on the issue of willful blindness, the Seventh Circuit in *Hard Rock* stated that the defendant flea market operator "may be liable for trademark violations by [a seller on its physical premises] *if it knew or had reason to know of them*." *Hard Rock*, 955 F.2d at 1149 (emphasis added). And it held that this "reason to know" standard may be satisfied if the defendant is willfully blind, i.e., "suspect[s] wrongdoing and deliberately fail[s] to investigate." *Id.* Far from endorsing the generalized knowledge standard *amici* propose, the Seventh Circuit emphasized that the defendant flea market operator had "no affirmative duty to take precautions against the sale of counterfeits," *id.* – precisely the obligation *amici* contend a "generalized knowledge" standard would require. Like *Fonovisa*, *Hard Rock* focused instead on whether the defendant was

willfully blind to specific infringing activity, which both the Second Circuit and district court found was not true of eBay. Pet. App. 33a-34a, 141a-146a.[3]

INTA's efforts to manufacture additional circuit splits are similarly unavailing. *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co.*, 747 F.2d 844 (3d Cir. 1985) (cited at INTA Br. 14), is inapposite because it involved the inducement prong of the *Inwood* standard, on which Tiffany does not rely in this case. *See* Pet. App. 24a.[4] *Mini Maid Services Co. v. Maid Brigade Systems, Inc.*, 967 F.2d 1516 (11th Cir. 1992) (cited at INTA Br. 14), which arose in the context of a franchisor-franchisee relationship, held that a franchisor can be liable for infringement by franchisees only if it induced the infringement or "knowingly participated in a scheme of trademark infringement carried out by its franchisees," including by a "bad faith refusal to exercise a clear contractual power to halt the infringing activities." 967 F.2d at

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[3] Nor does a conflict over generalized knowledge arise from *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007), as IACC erroneously asserts. IACC Br. 21. The Ninth Circuit there expressly stated that knowledge of "*specific* infringing material," 508 F.3d at 1172 (emphasis added), is required for liability to attach. *See* Opp. 15.

[4] The Third Circuit did address whether "reasonable anticipation" suffices for liability, but it did so in connection with a New Jersey state-law "passing off" claim that has a different standard of knowledge than a federal trademark infringement claim. *See Ciba-Geigy*, 747 F.2d at 852-53; *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 Reporters' Note cmt. b (1995) (noting that while a "reasonable anticipation" standard is not the law with respect to Lanham Act claims, *Inwood* "has not been interpreted to preclude reliance on the 'reasonably anticipate' standard in actions at common law").

1522. The decision plainly offers no guidance, much less creates a conflict, here.

2. *Amici* fail to establish any error in the Second Circuit's interpretation of *Inwood*, and none exists. *See* Opp. 17-22.[5] Unable to demonstrate that the Second Circuit's decision is inconsistent with the plain language of *Inwood* or with this Court's interpretation of *Inwood* in *Sony*, 464 U.S. at 439 n.19, *amici* instead urge that, in light of the development of the Internet and the proliferation of counterfeiting it is claimed to have spawned, the time has come for the Court to revisit *Inwood*. *See, e.g.*, INTA Br. 3, 10 n.5; IACC Br. 22-23.

Tellingly, *amici* are silent as to exactly what "uniform, national" contributory infringement standard they would have the Court adopt, *see* INTA Br. 16 – that is, how one might translate "generalized knowledge" into a workable test – much less how any such standard would provide greater "clarity and guidance," *id.* at 1, than *Inwood*. In fact, a sweeping expansion of the scope of contributory trademark liability, rather than clarity, appears to be *amici's* true objective. This is shown by IACC's radical claim that eBay should be held liable for "failing to eradicate counterfeiting" on its site. IACC Br. 21. Placing on eBay such a sweeping anti-counterfeiting responsibility is both impracticable, given the scope

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[5] Coty asserts that had the Second Circuit properly applied *Inwood*, eBay would have been liable. *See* Coty Br. 22. But the Court will not grant certiorari where the claimed error "consists of misapplying a properly stated rule of law to the facts of a particular case." SUP. CT. R. 10. Moreover, here there was no misapplication of law. *See* Opp. 17-22.

of eBay's site, *see* Pet. App. 5a, and contrary to the traditional allocation of trademark policing burdens.

These issues are not, in any event, properly presented by this case for the Court's consideration. Tiffany waived the argument that Internet commerce requires a new standard for contributory trademark liability by failing to raise that issue below. *See, e.g.*, *Sprietsma*, 537 U.S. at 56 n.4. It thus is not an available basis for granting certiorari.

Even were it otherwise, any consideration of fundamental change in trademark law in response to new technology should be undertaken, if at all, by Congress, which, as the Court pointed out in *Sony*, has the institutional capacity to analyze the complex interplay of competing interests. *See* Opp. 22-23 (quoting *Sony*, 464 U.S. at 430-31). INTA's discussion of the Lanham Act, *see* INTA Br. 16, underscores the primary role of Congress in making law in this arena.[6]

3. The Court's prior grants of certiorari in factually and legally distinct settings provide no basis

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[6] The *2010 Joint Strategic Plan on Intellectual Property Enforcement*, cited by Coty, *see* Coty Br. 5-6, reports that the federal government has initiated a review of existing laws "to determine if legislative changes are needed to enhance enforcement efforts" and "will recommend to Congress any proposed legislative changes resulting from this review process." *Joint Strategic Plan* at 19, *available at* http://www.whitehouse.gov/sites/default/files/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf. This review has been undertaken "[d]ue to changes in technology and the growing sophistication of intellectual property violators." *Id.* The Court should decline *amici*'s exhortation to leap ahead of Congress in this new and rapidly changing area of Internet commerce, which is vital to the nation's economic interests.

for *amici*'s contention that certiorari is warranted here. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), *see* IACC Br. 22-24; INTA Br. 3-4, involved blatant encouragement of copyright infringement for which the Ninth Circuit erroneously determined no liability could lie. *See Grokster*, 545 U.S. at 927-28. Tiffany, however, did not sue eBay for inducement, Pet. App. 117a, and the record makes absolutely clear why: there is no evidence whatsoever of any encouragement of infringement or any other remotely analogous bad acts by eBay. *See* Pet. App. 24a, 117a; Opp. 5-8. To the contrary, eBay took extraordinary measures to *prevent* infringement. On the legal theory Tiffany did espouse, it failed to prove liability under *Inwood*, and the Second Circuit's holding to that effect was an uncontroversial application of settled law to undisputed facts that warrants no further review.

The Lanham Act cases cited by INTA in which this Court granted certiorari, *see* INTA Br. 17-18, also provide no basis for doing so here. Each of the cases cited by INTA involved a true conflict among the circuits or with this Court's precedent. Similarly, in the now-pending *Global-Tech Appliances, Inc. v. SEB S.A.*, 2010 WL 2629783 (U.S. Oct. 12, 2010) (No. 10-6), the Federal Circuit applied a different standard for patent-infringement inducement than that articulated by this Court in *Grokster*, 545 U.S. at 936. *See* INTA Br. 3-4 (quoting question presented contrasting "deliberate indifference of a known risk" and "purposeful, culpable expression and conduct"). Neither Tiffany nor its *amici* identify any such conflicting standards at issue here. The Second Circuit's faithful application of *Inwood*'s plain text to

a factual record that was undisputed on appeal does not warrant the Court's attention, and the grant of certiorari in *Global-Tech* does not suggest otherwise.

4. *Amici*'s advocacy is based on misstatements of the record as to eBay's conduct. For example, Coty claims that "eBay took no affirmative steps to prevent or reduce counterfeiting other than to take down specific offers that Tiffany had already identified as counterfeit." Coty Br. 23. In fact, the Second Circuit catalogued a range of voluntary, proactive anti-counterfeiting measures undertaken by eBay. *See* Pet. App. 7a-13a; Opp. 5-8.

And while Coty claims that "the VeRO process is not an effective response to the counterfeiting problem," Coty Br. 12, Coty admits that there has been a "significant reduction in the number of counterfeit offers" on eBay. *Id.* at 13. Although none of the data reported by Coty are in the record, they confirm, if anything, that eBay's measures are effective.[7] Coty expresses concern that "[i]f [it] were to cease its policing" of its trademarks, *id.* at 13, the level of infringing activity would increase. But such a consequence would be one of Coty's own making, in derogation of the principal obligation the law places upon it, as trademark owner, to police its marks. As the Seventh Circuit observed in *Hard Rock*, defendants in contributory infringement cases are not required "to be more dutiful guardians of

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[7] Coty cites a study purporting to show some 100,000 listings of Coty goods on eBay's German website during 2004-2005, of which anywhere from 10 to 80 percent reportedly were counterfeit. Coty Br. 10. As of late 2008, the number of claimed counterfeit listings had fallen to "an average of between five and ten" per day. *Id.*

[trademark plaintiffs'] commercial interests." 955 F.2d at 1149.

Also inaccurate is IACC's assertion that eBay profits from counterfeiting "[e]ven when counterfeit items are removed." IACC Br. 17, 17 n.22. In fact, when eBay removes a listing, eBay "refund[s] the fees it had been paid in connection with the auction." Pet. App. 10a. eBay, with its subsidiary PayPal, also affords "buyer protection programs" under which buyers may be reimbursed for the cost of items purchased on eBay that are discovered not to be genuine. *Id.* at 8a.[8] These facts reflect the impact of the "private market forces [that] give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites." *Id.* at 31a.

5. INTA, like Tiffany, cites foreign decisions involving eBay that have "reach[ed] inconsistent results," INTA Br. 21, and claims that the "lack of a clear statement of United States law prevents the United States from leading the debate worldwide." *Id.* at 22. eBay already has explained why global harmonization of the contributory trademark infringement standard across borders is irrelevant to the proper interpretation of *Inwood*. Opp. 23-24. In any event, transforming the Court into a platform for

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[8] Equally unsupported are IACC's assertions that eBay allows unscrupulous sellers to trade anonymously and "out of view of traditional law enforcement." *Compare* IACC Br. 4 *with* Pet. App. 59a-63a, 86a (finding that eBay required all sellers to provide identifying information, that eBay regularly supplied Tiffany with sellers' contact information, and that eBay, as of the time of trial, had 70 employees devoted to working full-time with law enforcement).

worldwide debate is not an appropriate basis for granting certiorari.

CONCLUSION

For the foregoing reasons and those set forth in eBay's brief in opposition, the Court should deny the petition for a writ of certiorari to the Second Circuit.

Respectfully submitted,

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